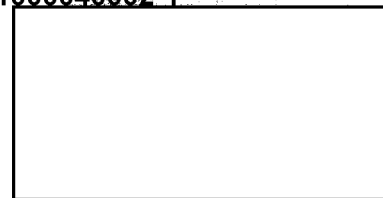




Director of
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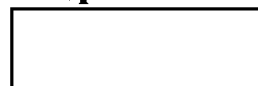
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National Intelligence Daily (Cable)

11 January 1979

DIA and DOS review(s)
completed.

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SITUATION REPORT

Vietnam-Kampuchea

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The Vietnamese-sponsored Khmer insurgents--probably fewer than 15,000--have done little of the fighting to date. Some of them probably will be used to garrison Phnom Penh, allowing Vietnamese forces to remain in the background, but they are unlikely to shoulder much of the military burden in the next several weeks.

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The Khmer insurgent government established Monday in Phnom Penh has moved rapidly to assert its authority. It has claimed control over almost all of Kampuchea and has promised to relax the harshest and least popular

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policies of the former regime. Despite deep-seated
Khmer-Vietnamese animosity, these appeals might generate
considerable support among Kampuchians. [REDACTED]

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The new government has been recognized by the
Soviet Union, Vietnam, Laos, and several other states.
Yesterday it sent a telegram to the president of the UN
Security Council, advising that it will send a repre-
sentative to participate in any debates on the question
of Kampuchea. [REDACTED]

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USSR-IRAN: Halt in Gas Exports

The Iranian oil workers' strike has halted natural gas exports to the USSR. The USSR's Transcaucasus region is likely to suffer shortages this winter as a result.

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The USSR has been importing gas from Iran since 1970. Deliveries had been running at more than 950 million cubic feet per day (the equivalent of 170,000 barrels per day in oil) before the strike began in late October. Average deliveries in November and December probably amounted to less than 100 million cubic feet per day (the equivalent of 18,000 barrels per day in oil) because of recurring work stoppages. Deliveries have now completely stopped.

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Although the Iranian gas accounts for less than 3 percent of overall Soviet gas consumption, the Transcaucasus region, which encompasses Georgia, Azerbaijan, and Armenia, has been dependent on Iranian deliveries for about 50 percent of its gas consumption. To ease the situation, the Soviets, in addition to drawing down stocks, are likely to institute fuel conservation, boost production from the offshore gasfields around Baku, and reverse pipeline flows to bring in gas from gasfields outside the Transcaucasus.

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Localized shortages--some perhaps severe--nevertheless appear inevitable this winter. Many large apartment complexes in major cities such as Yerevan probably will be forced to make do with greatly reduced gas supplies for heating. The production of less essential items such as processed foods and textiles is likely to be curtailed.

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The unsettled Iranian political situation also has cast a shadow on Soviet plans to depend more on Iranian gas. Under an arrangement known as the "trilateral switch," the USSR has agreed to import additional gas from Iran and to export domestic gas to West Germany, France, Austria, and Czechoslovakia in the years between 1981 and 2001. The future of this deal is now uncertain.

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IRAN: Oil Developments

The US Embassy in Iran is optimistic about the chances of a significant improvement in domestic availability of refined oil products within the next 10 days to two weeks as closed refineries are brought back into operation. Even if refinery operations approach normal levels within that period, shortages and rationing--particularly of kerosene--are likely to continue until the arrival of warm weather.

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As a result of an agreement negotiated by National Front leader Mehdi Bazargan--acting under the direct aegis of Ayatollah Khomeini--to restore production to meet domestic needs only, many workers apparently are returning to their jobs at the regional refineries at Tabriz, Shiraz, and Tehran, which have been shut down since late December. The nation's largest refinery at Abadan has been operating at less than half its rated capacity since then.

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The Bazargan agreement required the government to withdraw all military personnel from the oil facilities and the government seems to have accomplished that, withdrawing military personnel engaged in both security and production activities.

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Serious potential problems remain, however, before domestic requirements for kerosene, diesel fuel, heating oil, bottled gas, and gasoline can be fully met. Maintenance at Iranian refineries reportedly is very poor and the sporadic startups and shutdowns will magnify technical problems. Leaks, ruptures, or fires could occur during the startup phase, and it will take one to two weeks to get pipelines functioning again.

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USSR: Western Arms Sales to China

//Prime Minister Callaghan's announcement at the Guadeloupe summit that the UK is ready to sell jet fighters to China is likely to intensify the Soviet campaign to prevent Western transfers of arms and technology to the Chinese.//

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//One Soviet commentator condemned the British decision as a "deal of an openly anti-Soviet nature." Moscow evidently took only some comfort from the failure of the summit participants to agree on a common China policy. The Soviets did, however, give extensive media coverage to West German Chancellor Schmidt's sharp disagreement with the British position and his statement that Bonn would not follow London's example.//

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//In November, President Brezhnev sent letters to Callaghan and Schmidt repeating previous warnings against "playing the Chinese card against the USSR." Apparently, the Soviet leader sent Callaghan another letter along the same line just before the Guadeloupe meeting. French President Giscard and Italian Prime Minister Andreotti have also received such letters.//

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ROMANIA: Criticism of Kampuchean Takeover

Romania yesterday publicly dissociated itself from Soviet support for the Vietnamese takeover in Kampuchea. The Romanian party daily described the overthrow of the Pol Pot regime as a "heavy blow to the prestige of socialism" and called for a negotiated settlement. Moscow will view the Romanian stance as still another irritant in its relations with Bucharest.

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Romanian Foreign Minister Andrei told US Ambassador Aggrey on Tuesday that Romania supports Prince Sihanouk's effort to present Kampuchea's case at the UN. Andrei described Sihanouk as a dedicated patriot opposed to Hanoi's efforts to build an Indochinese federation dominated by Vietnam, and said the Soviets had "supported and stimulated" Hanoi's ambitions.

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President Ceausescu apparently believes that Romania's forceful condemnation of the Vietnamese action will not exceed the limits of Soviet tolerance. Moscow no doubt anticipated such a reaction, in view of the Romanian-Kampuchean friendship treaty of last May, and Bucharest's traditional insistence on noninterference in the internal affairs of other countries. Although Soviet response to the Romanian article is likely to be moderate, more forceful anti-Soviet statements from Bucharest might compel the Soviets to respond in kind.

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SOUTH YEMEN: Possible Internal Fighting

//Serious fighting broke out yesterday in South Yemen between rival political factions, according to a news report from North Yemen. [REDACTED]

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[REDACTED] has learned of significant clashes between militia and regular Army units in South Yemen. The reports are plausible in light of sporadic information received over the past several months about continuing rivalries among South Yemeni leaders. [REDACTED]

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[REDACTED] President Ismail was at odds with Defense Minister Ali Antar and Interior Minister Salih al-Qasim over several issues, including Ismail's attempts to enhance the power of his followers. Ismail, originally from North Yemen, is thought to command the loyalty of the militia while Ali Antar and Qasim, both southerners, probably control the Army.// [REDACTED]

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TANZANIA: Troop Reinforcement

//Tanzania has moved a fifth brigade to the disputed area near the border with Uganda, increasing to about 25,000 the number of its soldiers on the border--more manpower than that of the entire Ugandan Army. Tanzania's current strategy is to build a massive military presence in the area, to patrol and shell Ugandan territory, and to support guerrilla activities by Ugandan exiles inside Uganda in the hope that President Amin will eventually be overthrown by Ugandans. The high cost to Tanzania of maintaining a large force in a remote section of the country, however, may within a few months oblige President Nyerere either to use these troops against Amin or, more likely, to reduce his forces in the area.// [REDACTED]

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CHAD: Capture of Rebel-held Town

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Former rebel troops loyal to Chadian Prime Minister Habre have recaptured the eastern Chadian town of Arada from insurgents [REDACTED]

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[REDACTED] The government troops--probably aided by French forces--killed or captured about 175 guerrillas while suffering about 20 casualties themselves. Government forces also captured a considerable amount of heavy equipment and small arms. The attack was the first major military action in Chad since June. Despite continuing differences that have endangered the fragile coalition between President Malloum and former rebel leader Habre, Habre apparently still finds it in his interest to use his military resources in support of the government. [REDACTED]

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SPECIAL ANALYSIS

KAMPUCHEA: Sihanouk's Prospects

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[REDACTED]

After more than three years of virtual imprisonment in Kampuchea, Prince Norodom Sihanouk has reemerged in his familiar role as an international spokesman for Kampuchean independence. Sihanouk has already made it clear that over the near term he will remain in the limelight as a symbol of opposition to Vietnam's "colonization" of Kampuchea. Over the longer term, Sihanouk's future hinges on how events unfold in Kampuchea--specifically, on whether a cohesive and durable anti-Vietnamese resistance movement emerges.

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Sihanouk's value in his current role is unquestionable. As the flamboyant boy-king who helped Kampuchea win independence from France and later as the energetic head of state who sought to insulate his country from the Indo-China wars by playing off outside powers against one another, Sihanouk was in the front ranks of the early nonaligned leaders.

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For five years after he was unseated by General Lon Nol in 1970, Sihanouk was titular head of a government in exile based in China. During that time, he maintained an uneasy alliance with Khmer Communist leaders, some of whom he had persecuted in the 1960s. It was through Sihanouk that Pol Pot and other Khmer Communist leaders in the Kampuchean bush were able to attract international backing for their "liberation war" and to develop their few meaningful political relationships--primarily with China and to a lesser extent North Korea.

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Sihanouk and his long-time patrons, the Chinese, initially envisioned that he would play an important role in post-war Kampuchea. As the Khmer Communists' military position strengthened, however, Sihanouk's own

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leverage declined and the Prince eventually predicted that Pol Pot and his colleagues would "spit me out like a cherry pit" once they took power. [REDACTED]

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Sihanouk's prediction proved accurate. The Khmer Communist leadership, recognizing Sihanouk's immense popularity in the countryside, had no intention of allowing Sihanouk even a figurehead role. Sihanouk and his family were placed under house arrest soon after they returned to Phnom Penh in mid-1975. Late last week, with the Vietnamese closing in on Phnom Penh, Pol Pot decided--probably at Chinese urging--that Sihanouk should leave and plead the Kampuchean case to the world. [REDACTED]

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If a viable anti-Vietnamese resistance movement emerges in Kampuchea, Sihanouk will probably serve as its international spokesman and rallying point. [REDACTED]

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The odds are heavily against a more substantial or direct role for Sihanouk--such as that of in-country resistance leader--in any prolonged anti-Vietnamese insurgency in Kampuchea. Sihanouk has already shown that he has no taste for the spartan life. He plainly believes, moreover, that his public criticism of Pol Pot's domestic policies has only widened the gulf between him and those Khmer Communist leaders who would form the nucleus of any effective resistance movement. Thus, he would probably feel that his return to Kampuchea would only invite re-imprisonment or worse. For the same reasons they opposed Sihanouk's presence in the "liberated zone" during the war against Lon Nol, Khmer Communist leaders would be equally reluctant to allow Sihanouk an in-country role now. [REDACTED]

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Even if the Vietnamese and their Kampuchean allies manage to eliminate all pockets of effective resistance and to prevent an organized insurgency from developing, Sihanouk will probably be a fixture on the international scene for some time. The Chinese plainly intend to make Hanoi pay the highest possible price--if not militarily, then politically--for its "absorption" of Kampuchea. Sihanouk will remain a symbol of Kampuchean nationalism and, as such, a thorn in Vietnam's side for some time to come. [REDACTED]

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